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ABSTRACT

Public school funding in Florida differs from other states in a number of important ways. First, Florida has a highly equalized resource-distribution formula resulting in a high degree of interdistrict equity. Second, concerns for quality, while constant, have had to compete with the state's phenomenal growth. Third, the state exercises a much greater degree of control over the level of total funding (state and local) than many other states, which means that public school financing is highly vulnerable to shifts in the financing of other state programs. This paper describes the current condition of education funding for public schools in Florida, reviews the pressures facing educational finance in the state, and analyzes the fiscal, political, and judicial issues they raise. The state funding formula does not address educational need or adequacy. Inadequacy is due to the structurally inadequate tax base, new political and constitutional barriers to tax base expansion, and the fierce sectoral rivalry for state revenues. Since the late 1980s efforts to find other funding sources have met with mixed or limited success. These efforts included a lottery, a local sales tax, and a referendum to guarantee a fixed percentage of the budget for public education. Other issues include equity, capital construction, efficiency, and educational reform. (Contains seven references.) (LMI)

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BEYOND EQUITY:

THE NEW POLITICS OF STATE FISCAL CONSTRAINTS

STATE OF THE STATES: FLORIDA

by

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INTRODUCTION

The state of Florida greets the twentieth century as the fourth largest state in the country. Currently the state's public schools enroll 2.3 million children, an increase of over 600,000 in ten years. Many of these children come with unprecedented levels of personal, familial and social problems and represent a cultural and linguistic diversity that strain the professional competence of educators and the fiscal resources of the state. At the same time, public confidence in schools is waning, state and local governments are facing huge resource demands from other service sectors and taxpayer resistance to higher taxes is at record high levels.

Public school funding in Florida differs from other states in a number of important ways. One, Florida has a highly equalized resource distribution formula resulting in a high degree of inter-district equity. Two, concerns for quality while constant have had to compete with the state's phenomenal growth. Three, the state exercises a much greater degree of control over the level of total funding (state and local) than many other states meaning that public school financing is highly vulnerable to shifts in financing of other state programs. This article offers a description of the current condition of educational funding for public schools in Florida, a review of the pressures facing educational finance in the state and an analysis of the fiscal, political, and judicial issues they raise.

DESCRIPTION OF THE STATE FUNDING FORMULA

Funds for Florida schools are provided primarily by legislative appropriations through the Florida Education Finance Program (FEFP). When implemented in 1973, it was considered a model for states trying to craft distribution formulas that could withstand judicial review in the light of

recent equity rulings. According to Florida Statute, the FEFP was enacted "...to guarantee to each student in the Florida public education system the availability of programs to services appropriate to his education needs which are substantially equal to those available to any similar student notwithstanding geographic differences and varying local economic factors."

The FEFP is designed to equitably distribute funding for individual students independent of local economic circumstances. The FEFP recognizes and accounts for factors that affect education costs across the state (such as local variation in cost of living) and for factors that affect the quantity or quality of education services delivered to students (such as special needs). The formula incorporates factors such as varying local property tax bases; varying program cost factors; district cost differentials; and differences in operating costs due to sparse student population and declining enrollments. The FEFP formula is based on a number of separate calculations but depends primarily on five basic components: (1)the number of full-time equivalent students; (2) the base student allocation; (3) individual program cost; (4) district cost differentials; and (5) the extent of local effort required.

The FEFP bases funding on the number of students in an educational program rather than on the number of teachers or classrooms. Therefore, the primary unit of calculation for the FEFP is the equivalent of one full-time student on the membership roll of one or more school programs for a school year. Each year, the Legislature establishes a minimum allocation for each FTE in a form of the base student allocation (BSA). The FEFP recognizes that students' educational needs vary and that certain programs cost more than the BSA provides; for example, more funds are needed

to teach a visually handicapped student than a student in a regular fourth grade class. To account for these cost differences, the FEFP provides additional funding to students enrolled in more costly programs. This is accomplished through a series of program cost factors (PCF) which are computed from a three-year average of program expenditures. There are currently 38 different program cost factors in three separate categories. The Legislature sets the program cost factors for the year in the General Appropriations Act. Each district's allocation is then adjusted to account for differences in the cost of living. A district cost differential (DCD) is a numerical figure assigned to each school district based upon a three-year rolling average of the Florida Price Level Index (FPLI). Upon determining the number of FTEs and setting the BSA, PCFs and DCDs, the basic amount for current operations of school districts is calculated by multiplying the FTE x the BSA x the PCFs x the DCD. Once the amount for current operations is calculated, the fiscal responsibility of each school district is determined.

Required local effort (RLE) is the "fiscal responsibility" or revenue each school district must raise in order to participate in the FEFP. The non-voted millage is calculated at the state level and varies by the yielding capacity of each districts' property tax rolls. For FY 1994-95, millage rates across the State ranged from 6.498 to 7.054 mills, with a mean of 6.725 (or $6.725 for every $1,000 of assessed value). Low-wealth districts are required to raise as little as 8% of their total appropriation; wealthy districts as much as 92%. Each district school board may also, at its discretion, levy an additional non-voted millage for operations. This millage is referred to as discretionary local effort (DLE). The Legislature set the maximum non-voted discretionary operating millage for FY 1994-95 at .51 mills.

The Legislature also earmarks funds for categorical programs to ensure funds for legislative priorities such as instructional materials and transportation. Since 1991, the Legislature has significantly reduced the number of categorically funded programs to allow more local control of how education dollars are spent. Only five major categorical programs were funded in FY 1994-95: instructional materials, student transportation, pre-kindergarten, educational technology, and school lunch/breakfast. The Legislature also makes special allocations for other programs. Special allocations are similar to categorical programs. There are currently seven major special allocations: Blueprint for Career Preparation, Instructional Technology, Summer Inservice Institutes, Parent involvement in Education, Cities in Schools, Programs of Emphasis, and Full Service Schools/Interagency Cooperation.

As can be seen, the Florida finance formula is effective in equalizing educational funding throughout the state. In fact, the only unequalized part of the formula is the local discretionary millage which is capped at approximately one-half mill. However, the formula does not speak to educational need or adequacy.

ADEQUACY

While Florida, at least compared to many states, has successfully tackled the issue of inter-district equity, it has struggled continuously with the issue of adequacy. Like most southern states, it entered the post-World War II era with a severe deficiency in educational infrastructure, personnel and aspirations. It has fought continuously since then to move from a parochial

educational orientation to a more cosmopolitan one, in keeping with the state's transition from an agrarian economy to one based on services. After struggling with racial integration in the sixties, the state concentrated its efforts in quality improvements in the 70s and 80s, increasing funding by over one-third in each of the two decades and mandating quality improvements through a series of reform efforts. However, these efforts appear to have stalled in the 1990s and the legacy of Florida's southern agrarian past intersecting with a new no-taxes environment and large enrollment increases is threatening the state's resolve to become internationally competitive. A description of the current school funding impasse facing Florida follows.

Structurally Inadequate Tax Base

The predominance of revenue to fund Florida's public schools comes from the state. The state's contribution is 50.5% and is derived from the general revenue fund and from proceeds of the Florida Lottery. As mentioned above local support is primarily through a state-determined required local effort levied on local property (plus a much smaller discretionary mileage) contributing 42.5% of total funding. Federal sources provide 7.5%.

Because the state contributes approximately 50% of total public school funds and controls another 40% through the required local effort, limitations on state revenue sources severely impact school funding. Currently Florida state revenue sources face a number of constraints: some are old, some are new. Unlike most states, Florida has a constitutional prohibition against a state personal income tax. The general revenue fund is, therefore, highly dependent on revenues generated through various other taxes, the largest of which is the sales tax. In 1995-96, the sales

tax alone accounted for 72% of the general revenue fund. However, the sales tax has failed to keep up with growth in demand for services. Florida sales tax is primarily a tax on goods. Services, on the whole, are exempt. For FY 1997-98, total taxable sales is estimated to be $214.0 billion but exemptions will add up to $265.1 billion. The failure of the tax base to keep up with growth in Florida income is dramatically portrayed when taxable sales is computed as a percentage of personal income. In the early 1970s, taxable sales were indexed at about 70% of personal income. By 1996, the percentage had fallen to 55% (Executive Office of the Governor, 1997).

New Political and Constitutional Barriers to Tax Base Expansion

The inadequacy of the sales tax base was recognized early in the 80s and the 1987 Legislature enacted legislation to repeal the exemptions on most services. However, in the face of hostile voter reaction, the Florida Legislature retracted from its action less than a year later. Since 1987 there have been no successful efforts to significantly expand the tax base. Additional barriers to tax base expansion have also been erected. In 1992, voters enacted two constitutional amendments limiting the state's ability to raise funds for education. The first requires the state to establish a budget stabilization fund amounting to 5% of the general revenue fund by fiscal year 1998-99. This limits state budgetary discretion by requiring that the state lay aside over $600 million over five years. The second limits property tax assessment increases to 3 percent annually. Two years later in 1994, voters overwhelmingly approved a tax cap that limits state government budgetary growth to the average increase in personal income over a three-year period.

Fierce Sectoral Rivalry for State Revenues

Repeated inability to expand the state taxation base has led to more careful scrutiny of how the available funds are distributed among state-funded programs. For Florida, approximately 90% of all discretionary general revenue funds are currently appropriated among only three sectors: education, social services, and criminal justice (Montanero, 1996). In this atmosphere of intense inter-sectoral rivalry, education has fared poorly. In 1985-86, education accounted for 62% of state general-revenue spending. By 1994-95, this had slipped to only 50%. Medicaid which represents the bulk of the state's social services program increased from $1 billion to just under $7 billion between 1985-86 and 1996-97. As a federal entitlement program subject to congressional mandates, state budgeteers' discretion is limited in controlling the expansion of the program. Likewise, criminal justice spending quadrupled from $600 million to $2.6 billion between 1982-83 and 1996-97.

EFFORTS TO FIND OTHER FUNDING SOURCES

Since the late 80s, there have been a number of attempts to reach beyond the general revenue fund to find other sources of funds or to institute a funding guarantee. They have all met with mixed or limited success.

Lottery

In November 1986, Florida voters approved an amendment to the constitution which allows state operated lotteries. The law provides that revenues generated by the Lottery be distributed as follows: 50% to be returned to the public as prizes; at least 38% to be deposited in the

Educational Enhancement Trust Fund (for public education); and no more than 12% to be spent on the administrative costs of operating the lottery. During the Lottery's first full year of operation (FY 1988-89) lottery ticket sales totaled $1.83 billion, resulting in $622 million being transferred to the Education Enhancement Trust Fund. Since that time, total lottery ticket sales grew to almost $2.2 billion for FY 1994-95. In FY 1996-97, sales are estimated at $2,145 million with $815.4 million available for transfer to the Education Enhancement Trust Fund. While lottery ticket sales have grown 18% since the first full year of operation, the Florida Lottery is nine years old and has matured to the point that growth in ticket sales is leveling off. Population growth now contributes the most to growth in lottery ticket sales.

Local Sales Tax

Constraints on statewide revenue sources led the 1995 Legislature to authorize school boards to impose a 0.5% sales surtax for school fixed capitol outlay, subject to approval by voters. However, to date only 3 counties have successfully levied the tax. In another five counties, voters turned it down.

The defeat of the local option sales tax for public schools has been blamed in large part on the public's perception that the state failed to deliver on its promise to use lottery funds to enhance education (MacManus, 1996). This has stimulated a flurry of legislative proposals to better earmark lottery funds so that their use is more visible to the taxpayer and so that it is clearly being used to enhance and not supplement general revenue funding. The problem, however, is that

many districts are using the money for operations and would have great difficulty replacing the funds if the lottery money was pulled out.

Adequacy Law Suit

In 1994, a coalition of school districts, the state school board association and the state school superintendents association sued the Florida Legislature, the Governor and the state board of education claiming that the state has not provided enough money to give schoolchildren an "adequate" education, which the Florida Constitution guarantees. The lawsuit alleges inadequate funding focusing on three issues: the additional fiscal burdens caused by increasing numbers of students who are expensive to educate, the state mandated improvement and accountability plan (Blueprint 2000) which requires higher achievement levels, and under-funded, state-mandated transportation services. An initial ruling by a Tallahassee trial judge in 1995 was in favor of the state stating that adequacy was a political determination to be made by the legislative branch, not the judiciary. The coalition appealed and in June 1996, the Florida Supreme Court, in a 4-3 decision, refused to revive the lawsuit.

Constitutional Designation of Percent of Budget for Education

In an attempt to stave off the reduction in the percentage of total general revenue allocated to public schools, the Florida Education Association-United is leading a coalition of public schools advocacy groups to collect enough signatures to place a referendum before the voters of the state which would guarantee a fixed percentage of general revenue funds for public schools.

EQUITY

The Florida finance formula currently allocates as much as $700 more per student in some districts than in others. Even though this level of inequity would be a distant goal in many states, Florida with its large and few school districts (67 districts for 2.3 million students) has traditionally been intolerant of even small disparities. This issue surfaced recently with a legislative report showing large inter-district disparities in the portion of students categorized as gifted, ESOL and learning disabled disparities, perhaps based on different placement policies rather than different levels of need. In reaction, it has been proposed that all weights in the formula be eliminated, thus distributing the identical per-student allocation statewide regardless of factors such as sparsity, percentage of at-risk students, and percentage of special education students. However, to date no such proposal has been enacted.

Another area of growing controversy is the calculation of the district cost differential (DCD). This formula factor is designed to ensure that variance in cost of living in different geographical areas of the state is adjusted for in the formula. There have been some technical issues surrounding the mix of items in the marketbasket that is used to determine the DCD but there have also been broader, more philosophical disputes about the effect of the DCD on district-level salaries and instructional staff quality. The factor was intended to adjust for pre-existing cost differences but questions have arisen whether or not by enabling certain (usually large, urban) districts to compensate their teachers better, the DCD is inadvertently drawing the better and more highly educated teachers to these districts. These concerns have been exacerbated by the rising range of the differentials. The 1995 legislative session accommodated these concerns by

cutting the range in half. However, this is just a temporary accommodation and the issue will no doubt service again.

CAPITAL CONSTRUCTION

The most pressing fiscal issue in Florida today is overcrowding, particularly, but not restricted to, the large South Florida districts. Dade County (Miami) and Broward County (Ft. Lauderdale) rank third and fourth respectively in national rankings of high-growth districts. (U.S. Department of Education, 1996). Overall, state growth in FTE for K-12 is expected to bring between 40,000 to 60,000 new students between 1996-97 and 2002-2003. The state has two major sources of capital construction funds: PECO, the Public Education Capital Outlay program and local capital outlay millage.

PECO, adopted by the state in 1961 to bond gross receipts tax on utilities to pay for community college and state university system capitol construction, (with K-12 education added in the early 1970s) is the major state program for educational capital outlay. After peaking at more than $1 billion available for construction in 1994-95, the PECO program will yield only 50 percent to 60 percent as much in the next eight years. In 1990, the Legislature averted a PECO shortfall by raising the gross receipts tax from 1.5 percent to 2.5 percent over three years. That additional revenue produced additional bonding capacity, which by now has been absorbed. A task force convened in 1993 recommended that the gross receipts tax be broadened to include water, sewer, cable and solid waste, on a four-year phase-in. That report resulted in no action. Locally-levied capital outlay millage is the second largest funding source for public schools. At the discretion of

local school boards, districts may levy up to 2 mills. In addition, voters may approve other capital outlay millage and sales tax increases in referenda. In recent years, voters have rejected a majority of local referenda seeking tax increases for schools.

ENHANCING EFFICIENCY

An issue that has become increasingly prominent over the last few years is the issue of productivity. There is a growing belief that lack of funds is not an impediment to school reform and that more attention should be paid to how current funds are being utilized. Concerns about administrative bloat and the failure of past infusions of new resources to impact classroom performance are expressed repeatedly by legislators. In an attempt to get a handle on this issue, the 1994 legislature required the districts to submit a report indicating what percentage of funds are spent in administrative vs. instructional activities. The 1995 legislature tried to go even further requiring the districts to redirect some of their resources away from non-instructional activities to the benefit of instructional activities. However, the governor vetoed the provision claiming that the legislature was making substantive policy decisions in the appropriations bill. The 1996 Legislature is trying again with a requirement that $75 million in non-instructional expenditures (administration) be shifted to instructional expenditures (the classroom). The Legislature also is requiring a common expenditure/personnel classification system to better compare instructional vs. non-instructional costs across the 67 school districts. Other productivity issues addressed by the 1996 Legislature include (1) $30 million to provide incentives to schools and school districts to reduce the need for high school graduates to enroll in postsecondary remedial coursework and (2) state-funded performance audits in three school districts to determine if better management

and improved resource allocation may yield improvements in student performance without the need for new resources. These audits are currently underway.

EDUCATIONAL REFORM

Like many southern states, Florida has been actively involved in high profile state reform efforts for almost three decades. During the 1980s, these efforts consisted of maintaining the equitable funding formula in place from the previous decade while adding categorical funding in pursuit of specific reform components, designed to add quality. These included funding pre-kindergarten, 7-period days in high school, longer school years, smaller class sizes, middle school reform, management information systems, math, science and computer education improvement, and merit pay for teachers and schools (both subsequently repealed). In 1991, in reaction to complaints from educators that the accumulation of special categorical programs was reducing their fiscal flexibility and the drying up of new state funding sources, the state switched courses deregulating the majority of the programs and folding the money into the general funding formula. Between 1991 and 1997, the state has pursued (1) an increasingly deregulatory approach by each year eliminating additional categorical programs and increasing budgetary flexibility and simultaneously (2) a regulatory approach by intermittently adding new program requirements in response to high profile issues in which the public appears to be demanding legislative action (Trimble & Herrington, 1997).

CONCLUSION

The most current educational reform efforts focus on increasing local control, establishment of statewide curriculum standards and aligned assessments, stimulating innovation through alternative governance strategies (open enrollment, charter schools and limited choice) and enhancing technology. Establishing higher standards and experimenting with new governance mechanisms have limited fiscal implications. However, upgrading the teaching force to match the new curricula frameworks and the purchasing and staff training required by new technologies will require significant additional investments. The state has added about $55 million annually for the last two years to allow for school district investment in administrative and institutional technology improvements. And, the current Commissioner is requesting an additional $25 million for 1997-98 for professional development. How sufficient this level of funding is or how substantial its translation into education improvement remains to be seen.

Educational finance in Florida is at an impasse. Political leaders and the voters who elect them appear unwilling to confront any substantial reform in the state's taxation structure. Pressure for funds to meet enrollment growth and to address needs for quality improvements have been met by *ad hoc* patchwork fixes that have failed to buy anything except short-term relief.

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